



STATE OF WASHINGTON

**OFFICE OF FINANCIAL MANAGEMENT**

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June 11, 2004

**TO:** Linda Hoffman, Director  
Department of Ecology

**FROM:** Marty Brown, Director *MB*

**SUBJECT: ADDITIONAL INSTRUCTIONS FOR AGENCY BUDGET SUBMITTALS**

The Priorities of Government (POG) Results Teams recently completed work on the high-level purchase strategies that they believe will best achieve statewide results. As part of this effort, Teams also made suggestions about specific analyses and initiatives that will help them in the fall when they reconvene to produce detailed purchase plans for implementation of proposed strategies. Because Results Teams will be reviewing agency budget requests for activities that can be included in these purchase plans, we are communicating their ideas to you as you prepare your budgets.

Although the state is not facing quite the same fiscal challenges that generated the initial Priorities of Government process in 2002, initial estimates for 2005-07 indicate a \$700 million shortfall between forecasted state General Fund (GFS) revenues and the cost of continuing current GFS-funded services. The POG budget approach helps us focus on core services that contribute the most toward statewide results. This, in turn, provides a framework for OFM decisions and budget recommendations to the Governor.

**High-Level Strategies will Guide Budget Decisions**

We strongly urge your consideration of the information contained in this memo as you develop your agency budget proposal.

1. You will find enclosed a list of the high-level indicators of success and the purchase strategies recommended for each statewide result. This information is the investment criteria that Results Teams will use to create their purchase recommendations. Review the indicators and strategies for all 11 results and focus on areas that you believe can be influenced with activities in your agency. For example, if your budget includes activities that affect indicators in Result #4 (Improve Health) because they contribute to the statewide strategy of "mitigating environmental hazards," then your budget should help make that connection for the Results Team.

A summary is provided in this memo, but we encourage you to read the full reports of the Teams, particularly those prepared for Tollgate #2, to understand the context in which these recommendations were made. The reports are available at <http://www.ofm.wa.gov/budget/pog/teamreports.htm>.

2. For some agencies, there are recommended initiatives or research projects listed at the end of this memo. This means one or more Results Teams indicated interest in these ideas and are asking for additional information before they complete their purchase plan recommendation in the fall.
3. The Teams also suggested criteria that agencies could use to assess the activities they propose for funding. As you determine your budget request, we recommend you address these questions in your deliberations:
  - Are there options for earlier, preventative interventions as alternatives to more expensive services later?
  - Are those options evidence-based or supported by research as to their effectiveness toward the intended result?
  - Are we paying the right price for the services delivered?
  - Are activities properly coordinated for maximum effect?
  - Do activities have explicit outcomes and measures of performance?
  - Are there opportunities for outcome-based contracts?

### **Additional Information Requested for the Budget Submittal**

OFM has selected a number of the recommendations mentioned in the team reports to be completed as part of the budget development process. We ask that your agency submit the following information, either as part of your budget request, as an addendum to your budget submittal, or as a separate submittal on the date indicated.

1. The Interagency Committee for Outdoor Recreation, in coordination with the Department of Ecology, the Department of Fish and Wildlife, the Department of Natural Resources and the Conservation Commission, should develop a proposal to better coordinate and achieve efficiencies in monitoring data collection, systems and public access to this data.
2. The Department of Ecology should develop a coordinated budget proposal with the Puget Sound Action Team to reduce impacts from stormwater. The proposal should consider options to expand technical assistance to local communities, enhancements to stormwater regulation and monitoring and stormwater infrastructure improvements.
3. The Department of Ecology should propose strategies and approaches to reduce greenhouse gases. Include legal analysis and potential legislation to determine whether the state can adopt California Air Emission standards for new vehicles under the State Clean Air Act. In cooperation with the Department of Community, Trade and Economic Development, examine options to develop a greenhouse gas inventory of state facilities.
4. The Puget Sound Action Team, in consultation with the Department of Ecology, Department of Health and Department of Community, Trade and Economic Development, should develop a budget and legislative proposals for reducing water quality impacts from septic systems. In particular the proposal should examine the regulation and management of on-site and off-site septic systems, expanding nitrogen to the regulatory scheme, ways to assist local governments financially and ways to improve public education related to the impact of these systems.

5. The Office of Financial Management, in coordination with the Salmon Recovery Funding Board, the Department of Fish and Wildlife and the Department of Ecology, should propose options to coordinate the implementation of Watershed Plans and Regional Salmon Recovery Plans. As these plans are completed, developing mechanisms to implement these plans is the next step. The use of mitigation funds should be explored as a way of funding implementation of these plans as well as ways to coordinate and align other natural resource grant programs to better achieve results.
6. Provide information by activity, including FTEs and funding, on your agency's current capabilities and potential needs to support and provide necessary information to local governments for Shoreline Management and Growth Management Act updates
7. Provide an evaluation of how the agency would propose to balance the uses of the State and Local Toxics Account (i.e., clean-up, prevention, support for local governments, etc.).
8. The Puget Sound Action Team, in cooperation with other natural resource agencies, should develop options, and a potential budget proposal, on how to coordinate messages related to natural resource protection and to improve ways of getting data and information out to the public, local communities and the public. Please consult with the Department of Ecology, Department of Fish and Wildlife, the Conservation Commission, the Department of Natural Resources and the State Parks and Recreation Commission.
9. Evaluate the limitations on the state's role in improving the affordability of housing. In what regions is the shortage of affordable housing affecting the performance of the economy? Where is the jobs/housing balance most out of balance? What kinds of regulatory changes or infrastructure investments can address the balance? The Department of Community, Trade and Economic Development should take the lead in this evaluation in coordination with the Office of Regulatory Assistance and the Department of Ecology.
10. The Department of Community, Trade and Economic Development should submit a proposal to reduce the cost of making grants and loans for local infrastructure. The proposal should consider using a "foundation" type of structure where requests for infrastructure funding from the state would come through a single process. The CTED should work with the Department of Ecology, the Department of Transportation, the Interagency Committee for Outdoor Recreation, the Conservation Commission and the Department of Health.
11. The Office of Regulatory Assistance, using the Master Business License application process as an example, should identify how technology and process improvements might reduce the duplication of information that must be provided to different state and local agencies by the same business or individual. This approach—to develop shared information systems where data required are very similar—may save money for both the agencies (costs can be shared among the agencies needing the information) and the businesses. The Office should consult with the Department of Revenue, the Department of Employment Security, the Department of Ecology, the Department of Labor and Industries, the Department of Licensing, the Department of Community, Trade and Economic Development and others as needed.
12. The Department of Community, Trade, and Economic Development, in consultation with the Department of Ecology and the Office of Regulatory Assistance, should propose a "Quicksites"

program to coordinate investments in planning, infrastructure, and workforce training for specific industries in local areas as they identify their industry clusters. This could be structured as a grant program that combines some existing resources (e.g., CERB and workforce training grants) with some new resources that can provide assistance with strategic, environmental, and land-use planning.

13. Work with the Office of Financial Management and the Office of Regulatory Assistance to propose opportunities for using nontraditional approaches to regulation i.e. "Winning Compliance". Although agencies have made progress in the last few years in improving regulatory programs, more can be accomplished. Additional work can be done in setting permit processing standards, educating compliers about what is expected, reporting compliance information and providing incentives to comply with current standards. Include in the analysis a look at which environmental programs might lend themselves to a performance rather than technology-based standard. How much money would this save companies regarding compliance? Would it stimulate innovation? Would it do a better job of protecting the environment? Would it save the state money?
14. The Department of Community, Trade and Economic Development should take the lead in this effort, in coordination with the research universities, the Utilities and Transportation Commission, the Department of Health and the Department of Ecology to design an initiative for supporting innovation in the energy, environmental, and/or health care sector that create jobs while contributing to other important POG outcomes.
15. Complete an analysis of selected regulatory programs which describes staffing levels and permit history over the last six years, describes the agency's past and current capabilities to monitor permit conditions and identifies efficiencies undertaken by the agency and future efficiencies which could be taken to stream line and reduce permitting costs. Specific programs include:
  - 401 Water Quality Certification
  - FERC relicensing permits
  - Transportation project permitting
  - Cost reimbursement permitting

If you have questions about any of these recommendations, please consult your assigned OFM Budget Analyst, who will then coordinate assistance with the appropriate Results Team.

Finally, I want to thank all of you for your energy and dedication as we head into another round of POG. Your efforts are critical to its success, and I know from experience that I can count on you.

Attachment

cc: Agency Budget Director